



Southwestern Insurance Information Service

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## INSURANCE NEWS

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### Texas Windstorm Association Settles 300 Ike and Dolly Lawsuits; 1,000 Remain

The Texas Windstorm Insurance Association has now settled about 300 lawsuits related to the devastating 2008 hurricane season, but the general manager of the last resort insurer rejects insinuations in Texas that TWIA is now settling because it realized it mishandled claims.

"There has been no change in philosophy," said TWIA General Manager Jim Oliver. "There is a process with this kind of thing. We have made every effort to settle, but we are not going to pay outside the policy."

About 1,000 lawsuits remain, related to allegations TWIA underpaid policyholders following hurricanes Ike and Dolly in 2008, Oliver said. Many of the disputes center on how much damage to homes was caused by wind and how much was caused by flood, which is not a covered peril under a standard homeowners policy. Oliver said the suits are primarily brought by 10 or so legal firms, some with hundreds of cases filed against TWIA, which took 92,370 claims from Ike and 8,344 claims from Dolly.

"We plan to work it out with them, which is in everyone's best interest to cut out legal fees and expenses," Oliver said. However, some lawsuits are "just not going to be settled," he continued. "We can't settle where there is no coverage." The general manager said some lawsuits have been filed by policyholders seeking to get money they simply do not deserve, but he also acknowledged some were brought about by poor adjusting on the part of TWIA.

Oliver said TWIA has the reserves to take it through litigation. The matter is "not an issue," he said. Oliver could not comment specifically on settlements but he said the state-run insurer expects a total of \$1.8 billion in Ike losses and \$280 million in losses from Dolly.

Earlier this month, the TWIA governing board put off a decision to raise rates and whether the association should cover evacuation expenses, said Oliver. The Texas Department of Insurance rejected a proposed rate increase of 10% for both residential and commercial TWIA policies but the insurance department left open the possibility that the insurer could refile for a lower increase (BestWire, Oct. 22, 2009). The topics will be discussed at TWIA's quarterly meeting in March, Oliver said.

Sandra Helin, spokesperson for the Southwestern Insurance Information Service, said the private market is opposed to TWIA offering coverage for evacuation expenses. The private market does not offer the coverage.

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"Imagine how much it would cost if an evacuation order went out but a hurricane hits another area," Helin said. "That could be at least tens of millions of dollars paid out where nothing hit."

In 2008, the top writers of homeowners multiperil in Texas, according to BestLink, were State Farm Group, with a 29.2% market share; Allstate Insurance Group, with 14.1%; Farmers Insurance Group, with 13.2%; USAA Group, with 7.6%; and Travelers Group, with 5.2%.

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